

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 INT-08 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 AID-20 CIEP-02 TRSE-00 STR-08 OMB-01

CEA-02 TAR-02 COME-00 DRC-01 /150 W

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P 302110Z APR 74

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC PRIORITY 3599

S E C R E T CARACAS 3819

E.O. 11652: GDS

TAGS: EMIN ETRD

SUBJECT: PRESIDENT PEREZ'S ANNOUNCED INTENTION OF
NATIONALIZING VENEZUELAN IRON RESOURCES

1. STANLEY COHLMAYER, PRESIDENT OF ORINOCO MINING COMPANY,
CALLED ON ME THIS MORNING PRIOR TO HIS DEPARTURE THIS AFTERNOON
FOR PITTSBURGH WHERE HE WILL CONSULT WITH MANAGEMENT OF
U.S. STEEL AND PROBABLY REMAIN OVER FOR NEXT WEEK'S ANNUAL
STOCKHOLDERS MEETING.

2. COHLMAYER SAID THAT HE AND CHAIRMAN OF THE BOARD EDGAR B.
SPEER HAD CALLED ON MINISTER OF MINES VALENTIN HERNANDEZ APRIL 26
AND AT THAT TIME HAD RECEIVED A FAIRLY CLEAR INTIMATION THAT
NATIONALIZATION MEASURES WERE IN MIND FOR THE IRON AND STEEL
INDUSTRY. HOWEVER, AS HAD MINISTER OF MINES IN CONVERSATION
WITH ME YESTERDAY, HE HAD CLEARLY INDICATED THAT NO PRECIPITATE
ACTION WOULD BE TAKEN. HE DID, HOWEVER, DIRECTLY ASK
CHAIRMAN OF THE BOARD OF U.S. STEEL IF HIS COMPANY MIGHT BE
INTERESTED IN PARTICIPATING IN THE CONSTRUCTION OF AN ADDITIONAL
STEEL MILL ON THE LOWER ORINOCO. TO THIS, SPEER REPLIED
THAT U.S. STEEL HAD NO SUCH PLANS IN CONTEMPLATION. THIS, SAID
COHLMAYER, WAS ALL THAT SPEER COULD IN FACT SAY SINCE HE HAD NO
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AUTHORITY FROM HIS BOARD OF DIRECTORS EVEN TO IMPLY THAT

U.S. STEEL WOULD BE INTERESTED IN SUCH A VENTURE. HOWEVER, HIS ANSWER MAY HAVE HAD A NEGATIVE IMPACT AT SUNDAY'S LAST-MINUTE CABINET MEETING WHEN, ACCORDING TO COHLMeyer, MINISTER OF MINES BROUGHT IN A FIVE-PAGE REPORT WRITTEN BY ONE OF HIS TECHNICAL EXPERTS NAMED VALENTINI WHICH APPARENTLY PORTRAYED U.S. STEEL'S ACTIVITIES IN THE EXPLOITATION OF VENEZUELA'S IRON RESOURCES IN A MOST UNFAVORABLE LIGHT.

3. COHLMeyer HAS AT PRESENT NO CLEAR NOTION OF WHAT COURSE TO RECOMMEND TO HIS SUPERIORS ALTHOUGH HE DID TAKE SOME ENCOURAGEMENT FROM MY REPEATING WHAT MINISTER OF MINES HAD TOLD ME AT LUNCH YESTERDAY, NAMELY, THAT GOV DID NOT CONTEMPLATE ABRUPT ACTION. COHLMeyer LIKEWISE OFFERED COMMENT THAT PRESIDENT'S ANNOUNCED DECISION ABRUPTLY TO CANCEL IMPORTANT CONTRACTS INVOLVING BOTH U.S. AND JAPANESE INVESTMENT IN THE VENEZUELAN ALUMINUM COMPANY WOULD CERTAINLY HAVE A MOST UNFAVORABLE IMPACT IN WORLD FINANCIAL CIRCLES AND MIGHT IN FACT CAUSE INJURED PARTIES TO LOOK AT VENEZUELAN ASSETS ABROAD SUCH AS GOVERNMENT-OWNED PORTFOLIOS WHICH MIGHT BE ATTACHED IN REPRISAL.

4. I TOLD MY FRIEND COHLMeyer THAT SINCE WE WERE ALL JUST BEGINNING TO DIGEST THE FULL IMPACT OF PRESIDENT PEREZ'S SPEECH, THIS EMBASSY HAD NOT YET PREPARED RECOMMENDATIONS TO WASHINGTON BUT THAT THE TIME WAS COMING WHEN WE SHOULD ALL PUT OUR HEADS TOGETHER AND FIGURE OUT WHAT MIGHT BE THE MOST EFFECTIVE APPROACH. U.S. STEEL WAS NOT THE ONLY INJURED PARTY. FOR EXAMPLE, THE PRESIDENT'S ANNOUNCEMENT ON INVOKING THE DRASTIC MEASURES OF DECISION 24 OF THE ANDEAN PACT IN THE BRIEF SPACE OF THREE YEARS COULD, IF TAKEN LITERALLY, MEAN THAT SUCH AN IMPORTANT ENTERPRISE AS SEARS ROEBUCK WOULD BE PUT OUT OF BUSINESS WITHIN PRACTICALLY NO TIME AT ALL. ALTHOUGH ONE COULD RESPECT PRESIDENT PEREZ'S DESIRE TO ACHIEVE SOCIAL JUSTICE FOR VENEZUELAN, IT WAS NOT RIGHT THAT INJUSTICE SHOULD BE PERPETRATED ON FOREIGN INVESTORS WHO HAD CONTRIBUTED SO MUCH TO VENEZUELA'S ECONOMIC WELL-BEING AND WHO HAD ACTED IN GOOD FAITH. I AM CONVENING A MEETING OF OUR AMERICAN BUSINESSMEN'S GROUP FOR THE AFTERNOON OF MAY 2 AND SHALL HAVE FURTHER REACTIONS TO REPORT AT THAT TIME.

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